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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

In the Matter of	)	
	)	
1997 Annual Access	)	CC Docket No. 97-149
Tariff Filings	)	

REBUTTAL

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Rebuttal to the Oppositions filed against its Direct Case in this tariff investigation proceeding.

In this proceeding, the Commission is investigating various matters regarding local exchange carriers ("LECs") 1997 Annual Access Tariff Filings.[1] BellSouth filed its Direct Case on September 2, 1997, and two parties filed Oppositions thereto on September 17, 1997: AT&T Corp. ("AT&T) and MCI Telecommunications Corp. ("MCI"). These parties have addressed only two matters regarding BellSouth's Direct Case: 1) BellSouth's BFP projection for the 1997-98 tariff period; and 2) BellSouth's exogenous cost adjustment for completion of the equal access amortization. As this Rebuttal shows, neither AT&T nor MCI has demonstrated that there is any basis for revisions to be required to BellSouth's filing.

I. BELLSOUTH'S BFP PROJECTION IS REASONABLE

In BellSouth's Direct Case, BellSouth provided detailed data and explanations, as required by the Investigation Order, regarding BellSouth's historical BFP revenue requirements and end

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1 1997 Annual Access Tariff Filings, CC Docket No. 97-149, Order Designating Issues for Investigation, Memorandum Opinion and Order on Reconsideration (DA 97-1609), released July 28, 1997 ("Investigation Order").

user line demand quantities, as well as an explanation as to how projected amounts for the 1997 Annual Access Tariff Filing were estimated. BellSouth demonstrated that its projected 1997-98 BFP revenue requirement captures the current cost experience of the company, which is expected to continue in the 1997-98 tariff period, and that its 1997-98 line demand forecast is consistent with recent growth patterns, which are also expected to continue into the 1997-98 tariff period.

Neither AT&T nor MCI challenge BellSouth's line demand quantities. Indeed, MCI straightforwardly admits that no revisions to line demand forecasts for the 1997-98 tariff period are required.[2] Thus, there is no basis for the Commission to require BellSouth to make any revisions to its 1997-98 line demand forecast.

AT&T and MCI do challenge BellSouth's BFP revenue requirement projection. They do so on the sole basis that the projection is inconsistent with a historical trend analysis. For instance, AT&T believes that BellSouth's BFP projection is $ 87.4 million less than the amount which would be predicted by taking an average of the actual to actual growth rates for the tariff periods from 1991 through 1996.[3] MCI, similarly, believes that BellSouth's BFP projection is $90-102 million less than the amount which would be predicted by various analyses: a 6-year, a 3-year, and a regression analysis.[4] Neither of these parties, however, even attempts to refute BellSouth's explanation for its 1997-98 BFP projection. Indeed, AT&T wholly ignores BellSouth's lengthy discussion of the process used to develop the projection, making no mention

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2 MCI at 7.

3 AT&T at 14 and Appendix B.

4 MCI at 2 and Attachment A.

or reference to it whatsoever. MCI mentions BellSouth's explanation in one sentence, but never again discusses it.[5]

As explained in BellSouth's Direct Case, BellSouth developed its 1997-98 BFP projection using a "bottoms up" methodology.[6] BellSouth discussed this methodology in detail in Appendix C of its Direct Case. This methodology involves the development of combined expense and investment forecasts and the calculation of interstate and BFP revenue requirements through the use of models based on Part 36 separations and Part 69 access charge rules. BellSouth provided details showing the development of the BFP revenue requirement through this process.

BellSouth discussed and documented, step-by-step, the manner in which the 1996 starting point data were used to produce a subject to separations amount which were normalized for three items, including BellSouth's reengineering efforts, resulting in an adjusted 1996 base year.[7] These normalized amounts were grown by regional growth factors for 1997 and adjusted for the impacts of reengineering and force reduction to produce a forecast of 1997 subject to separations expense levels.[8] Growth factors for calendar year 1998 were then applied to the 1997 forecast and adjusted for 1998 reengineering and force reduction impacts to produce the expense forecast for 1998.[9] Details of the reengineering and force reductions amounts, which represent salary and wage reductions were provided.

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[5] MCI at 3 states, "GTE and BellSouth's forecasts are also well below trend, as they assume that the low BFP growth rate they recorded in 1996-97 is not simply a one-time event." Although MCI thereafter, at 6, further discusses GTE's forecast, it never returns to a discussion of BellSouth's explanation.

[6] BellSouth Direct Case at 4-8.

[7] BellSouth Direct Case, Appendix C, Exhibits 1 and 2.

[8] BellSouth Direct Case, Appendix C, Exhibits 1 and 3.

[9] Id.

The resulting projection was for a 2.1% growth in the BFP revenue requirement for the 1997-98 tariff period, as compared to the actual growth rate for the 1996-97 tariff period of 1.3%. The reason for this low growth rate in the BFP revenue requirement projection is the continuation of, as well as the continuing effects of, BellSouth's reengineering and force reduction efforts into the 1997-98 tariff period. As BellSouth stated in its Direct Case,

> Such efforts have consisted of incentive and forced layoffs, realignments and/or consolidation of departments and work groups, and implementation of other cost reduction plans. These efforts are reflected in the 1995-96 to 1996-97 growth rate and in the 1996-97 to 1997-98 growth rate, as there are expected to be continued effects of these cost reduction plans in the 1997-98 tariff year.[10]

Indeed, BellSouth's reengineering and force reduction program is not a figment of BellSouth's forecaster's imagination. As shown by Appendix C data, this program has had a real downward impact on BellSouth's BFP revenue requirement. This program did not end on June 30, 1997, at the end of the 1996-97 tariff period. BellSouth is presently continuing to implement the program. Additional force reductions are expected during the remainder of 1997, with a consequent reduction in expense levels in 1998 as a result of these reductions and continued reengineering.[11] Moreover, the impact of this program is not only expected to endure during the periods in which the force reduction and other changes are made, but is expected to have a long-term effect on BellSouth's operating expense levels.[12]

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[10] BellSouth Direct Case at 5.

[11] Indeed, BellSouth has publicly announced that this program is planned to continue through 1997. See BellSouth's Form 10K, Annual Report for Fiscal Year ending December 31, 1996, filed with the U. S. Securities and Exchange Commission, p. 20.

[12] While growth rates may eventually increase in future years, the actual base amounts for 1997-98 are expected to be at levels consistent with BellSouth's projection.

As can be seen, BellSouth's reengineering and force reduction initiatives represent the single most significant factor influencing both actual and projected results, and, thus, the long-term trend advocated by AT&T and MCI simply would not predict a reasonably accurate growth rate for BFP expenses. Even the Commission has recognized that one-time events render a long-term trend analysis "ineffective."[13] As BellSouth stated in its Direct Case, this is also the case when a company implements significant and ongoing changes in its cost structure and operating environment as is the case with BellSouth.

AT&T advocates the use of an "error correction" method by which a LEC would be required to true-up for an overstated or understated BFP projection in one year by making an adjustment to the BFP projection for the subsequent year.[14] Given that the existing rules require LECs to develop their per line BFP revenue requirement based upon a projection of its BFP revenue requirement for the new tariff period, such a change could only be accomplished by the Commission in a rulemaking proceeding.[15] Thus, the Commission should defer consideration of any such modification to its rules to an appropriate rulemaking proceeding.

In sum, BellSouth's BFP revenue requirement projection for the 1997-98 tariff period is reasonable. Neither AT&T nor MCI has shown otherwise. Indeed, contrary to the position taken by these two parties, the only reasonable way in which to assure that the known events within a given company for a tariff period can be reflected in the projection for that tariff period is to

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13 Investigation Order, para. 25.

14 AT&T at 14-16.

15 Indeed, AT&T at 11, interestingly challenges other LEC's suggestions that actuals be used to forecast BFP revenue requirements on the basis that such a methodology would require a rule change but completely ignores the need for a rule change in discussing its own suggested methodology change.

permit projections to be made on an individual company basis based upon the events which are occurring and are expected to occur within that company for that period. This is just the approach taken by BellSouth here. The Commission has no basis for requiring BellSouth to make any revisions to such projection, and, as such, should end its investigation as to this matter forthwith.

II. BELLSOUTH'S EQUAL ACCESS EXOGENOUS COST CHANGE FOR THE COMPLETION OF EQUAL ACCESS AMORTIZATION IS REASONABLE

Both AT&T and MCI challenge various LECs' use of a PCI adjustment to determine the amount of the exogenous cost adjustment to reflect the completion of equal access amortization.[16] Both contend that the only reasonable way in which to determine the amount of the exogenous cost change would be through a "R" value adjustment to Local Switching revenues based upon the proportion of Local Switching revenues which the amortization cost represented at the time the cost was initially included as an exogenous cost increase in price cap indices.

As BellSouth has discussed previously, the PCI adjustment is a reasonable methodology for determining the amount of the current exogenous cost adjustment. Indeed, the methodology which BellSouth followed is similar to the methodology advocated by AT&T previously.[17] It should be clear that AT&T's support of the "R" value methodology now is driven purely by its interest in seeing a greater exogenous cost adjustment.

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16 AT&T at 17-24; MCI at 9-13.

17 AT&T submitted a methodology for determining the exogenous cost adjustment for the completion of equal access amortization in the Access Reform proceeding. BellSouth attached AT&T's worksheet to its Reply to petitions against its 1997 Annual Access Tariff Filing. 1997 Annual Access Tariff Filing, BellSouth Telecommunications Inc., Tariff F.C.C. No. 1, Tr. No. 411, BellSouth Reply, filed June 26, 1997, Attachment 1.

As BellSouth discussed in its Direct Case, the use of a PCI adjustment is a reasonable approach, comparable to the way in which the exogenous cost adjustment was required to be made for the completion of the inside wire amortization.[18] Both AT&T and MCI disagree with this analogy, stating that the inside wire exogenous cost adjustment was made "immediately" after completion of the amortization. BellSouth has made an analysis of the impact which an "immediate" PCI adjustment to Local Switching revenues would have had on the existing PCI, if made "immediately" upon completion of the equal access amortization. This would have been in 1993, when BellSouth reduced the equal access per line charge to zero.

As Exhibit A shows, the proposed PCI for the Traffic Sensitive Basket filed by BellSouth in its 1997 Annual Access Tariff Filing is in the same range of the July 1997 PCI's which would have been produced as a result of introducing an equal access exogenous cost change in BellSouth's 1993 Annual Access Tariff Filing. If BellSouth had made the exogenous cost adjustment at that time using the original amount of ($10,038,301), the current PCI would have been 77.2186.[19] Alternatively, if BellSouth had made the exogenous cost adjustment in its 1993 Annual Access Tariff Filing in an amount of ($10,038,301) grown by the growth in Local Switching Revenues from January 1991 to July 1993 to coincide with the equal access rate element removal, the current PCI would have been 77.0164.[20] As can be seen, the PCI resulting from BellSouth's filed methodology falls in between these two PCIs at 77.1032.[21] This confirms

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18 BellSouth Direct Case at 10-11.

19 Exhibit A, Option 1.

20 Exhibit A, Option 2.

21 Exhibit A, Option 4.

the fact that the AT&T methodology and the PCI which results therefrom of 76.2889[22] are not appropriate.

In sum, BellSouth believes that a PCI adjustment for the exogenous cost change for the completion of equal access amortization is a reasonable methodology. The resulting PCI falls within the range which would have resulted had BellSouth made the exogenous cost change in 1993 when it reduced the equal access line charge to zero. The methodology suggested by AT&T is inappropriate and the Commission should reject such an approach.

III. CONCLUSION

For all of the foregoing reasons, the Commission should end this investigation without requiring BellSouth to make any changes for either of the two items placed under investigation. BellSouth has adequately demonstrated that its BFP revenue requirement projection for the 1997-98 tariff period is reasonable and that it has used a reasonable methodology for the equal access exogenous cost change.

Respectfully submitted,

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Date: September 24, 1997

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22 Exhibit A, Option 3.

RECALCULATION OF THE PRICE CAP INDEX - TRAFFIC SENSITIVE BASKET

Method of Procedure used to Analyze the Impact of Removing Equal Access Revenue Requirements from the PCI

Step 1: Obtain the historic PCI data for the Traffic Sensitive Basket (Exhibit A, Page 2)

Step 2: Develop Delta Z amount which has been revised to include or exclude the appropriate Equal Access Exogenous Cost Change (Exhibit A, Page 3)

Step 3: Utilize Step 2 Delta Z amount to produce Options for Recalculating the Price Cap Index - Traffic Sensitive Basket

A. Option 1: Adjust historic Exogenous Cost Change to include the impact of immediately removing Equal Access costs in July, 1993 and negate the removal of Equal Access costs in July, 1997 historic PCI. (Resulting PCI is computed on Exhibit A, Page 4)

B. Option 2: Adjust historic Exogenous Cost Change, grown by "R" value, to include the impact of immediately removing Equal Access in July, 1993 and negate the removal of Equal Access costs in July, 1997 historic PCI. (Resulting PCI is computed on Exhibit A, Page 4)

C. Option 3: Adjust historic Exogenous Cost Change, grown by "R" value, to include the impact of the delayed removal of Equal Access costs in July, 1997 and negate the removal of Equal Access costs filed by BellSouth in its July, 1997 historic PCI. (Resulting PCI is computed on Exhibit A, Page 5)

D. Option 4: Adjust historic Exogenous Cost Change, based on the relationship of the current PCI to the initial PCI, to compute the impact of the delayed removal of Equal Access costs in July, 1997. (Resulting PCI is computed on Exhibit A, Page 5)

RECALCULATION OF THE PRICE CAP INDEX - TRAFFIC SENSITIVE BASKET

Baseline Data

LINE NUM	DESCRIPTION	JULY 1, 1993	JAN., 1994	JULY 1, 1994	JAN 1, 1995	AUG 1, 1995	JAN. 1, 1996	JULY 1, 1996	JAN. 1, 1997	JULY, 1997
1.	PRICE CAP INDEX [PCI(t-1)] (PCI-1)	93.6369	84.8641	84.9099	83.8894	83.8894	76.6641	76.6641	77.1851	77.1792
2.	ONE TIME ADJUSTMENT	NA	NA	NA	NA	82.1277	NA	77.2660	NA	NA
3.	GDP-PI (PERCENTAGE CHANGE)	0.0000	0.0000	2.8363	0.0000	2.9226	0.0000	2.6514	0.0000	0.0000
4.	X = PRODUCTIVITY FACTOR	0.0000	0.0000	3.3000	0.0000	5.3000	0.0000	5.3000	0.0000	0.0000
5.	[(GDP-PI) - X] (IN DECIMAL)	0.000000	0.000000	-0.004637	0.000000	-0.023774	0.000000	-0.026486	0.000000	0.000000
6.	DELTA Z (Note)	($94,194,131)	$491,754	($3,966,994)	$0	($20,938,090)	$0	$14,685,393	($43,355)	($602,865)
7.	R = BASE PERIOD DEMAND x RATES AT LAST PCI	$1,005,389,913	$911,478,710	$534,923,295	$526,988,717	$577,022,888	$528,672,014	$561,984,390	$561,984,390	$612,102,596
8.	DELTA Z / R	-0.093689	0.000540	-0.007416	0.000000	-0.036286	0.000000	0.026131	-0.000077	-0.000985
9.	w = (1 + DZ/R)	0.906311	1.000540	0.992584	1.000000	0.963714	1.000000	1.026131	0.999923	0.999015
10.	w x [(GDP-PI) - X]	0.000000	0.000000	-0.004603	0.000000	-0.022911	0.000000	-0.027178	0.000000	0.000000
11.	PRICE CAP INDEX [PCI(t)] (PCI-2) where: PCI(t) = Adj.PCI(t-1) x [1 + w x (GDP-PI-X) + DELTA Z/R]	84.8641	84.9099	83.8894	83.8894	77.2660	76.6641	77.1851	77.1792	77.1032
12.	11 MONTH GROSS UP	NA	NA	NA	NA	-0.6019	NA	-0.6019	NA	NA
13.	REVISED PCI (L12 x L13)	NA	NA	NA	NA	76.6641	NA	NA	NA	NA

Note: The July, 1997 Delta Z amount is the sum of BellSouth's filed Delta Z value and the difference between the Initial and Actual Targeted Revenue Differential as calculated on Exhibit A, Page 3, Line 11, Column G.

RECALCULATION OF THE PRICE CAP INDEX - TRAFFIC SENSITIVE BASKET

Development of Delta Z Amounts to be entered on Line 6 of Exhibit A, Page 4 and Page 5

LINE NUM		Baseline Data (A)	July, 1993 Option 1 (B)	July, 1993 Option 2 (C)	(Reflects Col B, Line 11) July, 1997 Option 1 (D)	(Reflects Col C, Line 11) July, 1997 Option 2 (E)	July, 1997 Option 3 (F)	July, 1997 Option 4 (G)
1.	Filed Delta Z [PCI-1 Form, Line 150]		(94,194,131)	(94,194,131)	6,894,372	6,894,372	6,894,372	6,894,372
2.	1/1/91 Equal Access Revenue Requirements to be removed [BellSouth Transmittal No. 411A, Volume 2-2, Exhibit A-14, Line 15]	(10,038,301)						
	Local Switching "R" Value [SUM-1 Form, Column A, Line 130]							
3.	January, 1991	362,711,000						
4.	July, 1993	447,946,588						
5.	July, 1997 (Note)	512,924,807						
	Equal Access Costs Grown by "R" Value							
6.	Zero Growth [LN 2 (A) X 1.0]		(10,038,301)					
7.	January, 1991 to July, 1993 [LN2 (A) X LN 4 (A) / LN 3 (A)]			(12,397,260)				
8.	January, 1991 to July, 1997 [LN2 (A) X LN 5 (A) / LN 3 (A)]						(14,195,582)	
9.	Initial minus Actual Targeted Revenue Differential [BellSouth Transmittal No. 411A, PCI-1 Form, LN 237B - LN 237C]				(7,497,237)	(7,497,237)	(7,497,237)	(7,497,237)
10.	Removal of Equal Access Exogenous Cost Change filed by BellSouth				7,738,045	7,738,045	7,738,045	
11.	Delta Z [LN 1 thru LN 10] to be entered on Line 6, Exhibit A, Page 4 and Page 5. This Exogenous Cost Change amount was input to PCI Baseline data provided on Exhibit A, Page 2. The resulting PCI calculations are displayed on Exhibit A, Page 4 and Page 5, as Options 1, 2, 3 and 4.		(104,232,432)	(106,591,391)	7,135,180	7,135,180	(7,060,402)	(602,865)
12.	Revised PCI: July, 1997 This PCI is calculated on Exhibit A, Page 4 or Page 5, Line 11				77.2186	77.0164	76.2889	77.1032

Note: AT&T incorrectly states BellSouth's Local Switching Revenues as $512,930,997 in its Opposition to Direct Cases, Filed September 17, 1997, Exhibit F, Page 2

RECALCULATION OF THE PRICE CAP INDEX - TRAFFIC SENSITIVE BASKET

OPTION 1:
With Equal Access Reduction = -$10,838,391 in 7/93

LINE NUM	DESCRIPTION	JULY 1, 1993	JAN. 1994	JULY 1, 1994	JAN 1, 1995	AUG 1, 1995	JAN. 1, 1996	JULY 1, 1996	JAN. 1, 1997	JULY, 1997
1.	PRICE CAP INDEX [PCI(t-1)] (PCI-1)	93.6369	83.9291	83.9744	82.9651	82.9651	75.8128	75.8128	76.3347	76.3288
2.	ONE TIME ADJUSTMENT	NA	NA	NA	NA	81.2228	NA	76.4147	NA	NA
3.	GDP-PI (PERCENTAGE CHANGE)	0.0800	0.0000	2.8363	0.0000	2.9226	0.0000	2.6514	0.0000	0.0000
4.	X = PRODUCTIVITY FACTOR	0.0800	0.0000	3.3000	0.0000	5.3000	0.0000	5.3000	0.0000	0.0000
5.	[(GDP-PI) - X] (IN DECIMAL)	0.000000	0.000000	-0.004637	0.000000	-0.023774	0.000000	-0.026486	0.000000	0.000000
6.	DELTA Z	($104,232,432)	$491,754	($3,966,994)	$0	($20,938,090)	$0	$14,685,393	($43,355)	$7,135,180
7.	R = BASE PERIOD DEMAND x RATES AT LAST PCI	$1,005,369,913	$911,478,710	$534,923,295	$526,988,717	$577,022,888	$528,672,014	$561,984,390	$561,984,390	$612,102,598
8.	DELTA Z / R	-0.103674	0.000540	-0.007416	0.000000	-0.036286	0.000000	0.026131	-0.000077	0.011657
9.	w = (1 + DZ/R)	0.896326	1.000540	0.992584	1.000000	0.963714	1.000000	1.026131	0.999923	1.011657
10.	w x [(GDP-PI) - X]	0.000000	0.000000	-0.004603	0.000000	-0.022911	0.000000	-0.027178	0.000000	0.000000
11.	PRICE CAP INDEX [PCI(t)] (PCI-2) where : PCI(t) = Adj.PCI(t-1) x [1 + w x (GDP-PI-X) + DELTA Z/R]	83.9291	83.9744	82.9651	82.9651	76.4147	75.8128	76.3347	76.3288	77.2186
12.	11 MONTH GROSS UP	NA	NA	NA	NA	-0.6019	NA	-0.6019	NA	NA
13.	REVISED PCI (L12 x L13)	NA	NA	NA	NA	75.8128	NA	NA	NA	NA

OPTION 2:
With Equal Access Reduction = -$12,387,280 in 7/93

LINE NUM	DESCRIPTION	JULY 1, 1993	JAN. 1994	JULY 1, 1994	JAN 1, 1995	AUG 1, 1995	JAN. 1, 1996	JULY 1, 1996	JAN. 1, 1997	JULY, 1997
1.	PRICE CAP INDEX [PCI(t-1)] (PCI-1)	93.6369	83.7094	83.7546	82.7480	82.7480	75.6128	75.6128	76.1349	76.1290
2.	ONE TIME ADJUSTMENT	NA	NA	NA	NA	81.0103	NA	76.2147	NA	NA
3.	GDP-PI (PERCENTAGE CHANGE)	0.0000	0.0000	2.8363	0.0000	2.9226	0.0000	2.6514	0.0000	0.0000
4.	X = PRODUCTIVITY FACTOR	0.0000	0.0000	3.3000	0.0000	5.3000	0.0000	5.3000	0.0000	0.0000
5.	[(GDP-PI) - X] (IN DECIMAL)	0.000000	0.000000	-0.004637	0.000000	-0.023774	0.000000	-0.026486	0.000000	0.000000
6.	DELTA Z	($106,581,391)	$491,754	($3,966,994)	$0	($20,938,090)	$0	$14,685,393	($43,355)	$7,135,180
7.	R = BASE PERIOD DEMAND x RATES AT LAST PCI	$1,005,369,913	$911,478,710	$534,923,295	$526,988,717	$577,022,888	$528,672,014	$561,984,390	$561,984,390	$612,102,598
8.	DELTA Z / R	-0.106020	0.000540	-0.007416	0.000000	-0.036286	0.000000	0.026131	-0.000077	0.011657
9.	w = (1 + DZ/R)	0.893980	1.000540	0.992584	1.000000	0.963714	1.000000	1.026131	0.999923	1.011657
10.	w x [(GDP-PI) - X]	0.000000	0.000000	-0.004603	0.000000	-0.022911	0.000000	-0.027178	0.000000	0.000000
11.	PRICE CAP INDEX [PCI(t)] (PCI-2) where : PCI(t) = Adj.PCI(t-1) x [1 + w x (GDP-PI-X) + DELTA Z/R]	83.7094	83.7546	82.7480	82.7480	76.2147	75.6128	76.1349	76.1290	77.0164
12.	11 MONTH GROSS UP	NA	NA	NA	NA	-0.6019	NA	-0.6019	NA	NA
13.	REVISED PCI (L12 x L13)	NA	NA	NA	NA	75.6128	NA	NA	NA	NA

RECALCULATION OF THE PRICE CAP INDEX - TRAFFIC SENSITIVE BASKET

Option 3:
AT&T's Proposed Equal Access Reduction July, 1997

LINE NUM	DESCRIPTION	JULY, 1997
1.	PRICE CAP INDEX [PCI(t-1)] (PCI-1)	77.1792
2.	ONE TIME ADJUSTMENT	NA
3.	GDP-PI (PERCENTAGE CHANGE)	0.0000
4.	X = PRODUCTIVITY FACTOR	0.0000
5.	[(GDP-PI) - X] (IN DECIMAL)	0.000000
6.	DELTA Z	($7,060,402)
7.	R = BASE PERIOD DEMAND x RATES AT LAST PCI	$612,102,596
8.	DELTA Z / R	-0.011535
9.	w = (1 + DZ/R)	0.988465
10.	w x [(GDP-PI) - X]	0.000000
11.	PRICE CAP INDEX [PCI(t)] (PCI-2) where : PCI(t) = Adj.PCI(t-1) x [1 + w x (GDP-PI-X) + DELTA Z/R]	76.2889
12.	11 MONTH GROSS UP	NA
13.	REVISED PCI (L12 x L13)	NA

OPTION 4:
BellSouth's Equal Access Reduction filed July, 1997

LINE NU	DESCRIPTION	JULY, 1997
1.	PRICE CAP INDEX [PCI(t-1)] (PCI-1)	77.1792
2.	ONE TIME ADJUSTMENT	NA
3.	GDP-PI (PERCENTAGE CHANGE)	0.0000
4.	X = PRODUCTIVITY FACTOR	0.0000
5.	[(GDP-PI) - X] (IN DECIMAL)	0.000000
6.	DELTA Z	($602,865)
7.	R = BASE PERIOD DEMAND x RATES AT LAST PCI	$612,102,596
8.	DELTA Z / R	-0.000985
9.	w = (1 + DZ/R)	0.999015
10.	w x [(GDP-PI) - X]	0.000000
11.	PRICE CAP INDEX [PCI(t)] (PCI-2) where : PCI(t) = Adj.PCI(t-1) x [1 + w x (GDP-PI-X) + DELTA Z/R]	77.1032
12.	11 MONTH GROSS UP	NA
13.	RSVISED PCI (L12 x L13)	NA

CERTIFICATE OF SERVICE

I hereby certify that I have this 24th day of September, 1997 served all parties to this action with a copy of the foregoing **REBUTTAL** by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed below.

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